



Business Space - resolving the conflict of interest problem

With a view to defending the interests of one side only in a real estate transaction – the tenant rather than the tenant and the landlord – Business Space was set up in Belgium some years ago, and then became a member of the international 'Exis' network.

Business Space was founded by Daniel Coltof, an experienced Belgian real estate professional with, in particular, around twelve years experience at Knight Frank and four years at GVA Grimley. We asked him to explain his company's thinking.

What gave you the idea of creating Business Space?

Daniel Coltof: I found myself asked by a major Japanese company to find 12,000 m² in Brussels, and I was immediately bombarded with requests by some of the major agents to select one of their buildings. I realised that the conflict of interest was unsustainable, and decided to do something about it. The concept of 'Tenant Rep' existed elsewhere, but not in Belgium. So our company was created, with the slogan 'For Tenants Only'. And when I say we are 100% 'tenant only', I mean it – not 98%...

Are you unique in Belgium?

Daniel Coltof: There is another company now doing this as well. But I believe there will be a change of culture over the coming years, by which I mean that companies and organisations (such as the European institutions), will start to take a close look at this conflict of interest and say 'Integrity is the most important thing in our business'. They will no longer feel that they can avoid the conflict of interest if they transact through agents which are, in a way, representing the landlords. I have nothing against the agents, I just believe that a choice has to be made – one stop shopping – representing both sides – is a jungle of conflict of interest. And in my estimation some 95% of occupants in Brussels are tenants, not owners.

Do you save money for your clients just by obtaining rent reductions?

Daniel Coltof: No, that is one part of it, but there is another major expense for tenants – common charges. This is in some ways a bit of a Pandora's box. But this is a really significant area – we found one tower block in Brussels where the charges were 85 Euros per square metre per year – that is the equivalent of a rent in another building! This is quite clearly a ridiculous amount – I would estimate that for a relatively modern office tower, something nearer to 40 or 50 Euros would be reasonable. Tenants are getting fed up with paying these substantial sums every quarter, and in addition, not really being told what they are paying for.

Does this mean there is lack of transparency in the charges?

Daniel Coltof: Yes, and we therefore set out to analyse not only the rent and the overall budget, but the common charges too. We negotiate the common charges with the landlord. And we have had some spectacular successes. We believe that charges should be re-invoiced to the tenant at cost price, and this is usually in the rental contract. One of the problems is that there is a relationship between the owner and the tenant, of course, and a relationship between the owner and his building management company, which he selects. But there is no relationship between the tenant and the building management company. But we have seen some flagrant acts which we believe are wrong. Landlords who make the tenants pay for renewing the lifts, or for repairing the concrete cladding of the façade – these are not 'common charges', these are landlord costs which he should be budgeting for separately. Sometimes this 'recladding' is put to tenants as 'façade cleaning', which is in the rental contract. But it clearly is not 'cleaning'. Then there is the situation of buildings which have empty space in them. Logically, the landlord should pay the charges for this empty space, but does he always, or does the cost get re-distributed among the tenants who are still there...? Tenants don't have the know-how to tackle these areas, but they do need to be tackled, and that's why we have our 'tenant rep' company.

Do you believe that the 'conflict of interests' will lead to the market being split into two?

Daniel Coltof: Yes, in my opinion. Until today there hadn't been a global tenant rep network, but then Exis came, and another has followed. And our clients are not just delighted, but they tell us that they wish we had been here earlier. I think that the Brussels market will develop into the tenant side and the landlord side over the next five to ten years. Tenants will more and more realise that they need to be sure someone is representing their interests only.



Daniel Coltof (left) with co-director Edouard Moreels